

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

5
6
7
8
9 APRIL 17, 2001

10
11
12 APPEARANCES:

13 KEN MITCHELL, CITIZEN MEMBER

14 MAX LEWIS, PUBLIC MEMBER

15 BENNY WAMPLER, CHAIRMAN

16 CLYDE KING, PUBLIC MEMBER

17 SANDRA RIGGS, ASSISTANT ATTORNEY GENERAL

18 BOB WILSON, DIRECTOR OF THE DIVISION OF GAS & OIL AND

19 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

20

21

22

23

24

25

26

27

1			
2		<u>INDEX</u>	
3	<u>AGENDA AND DOCKET NUMBERS:</u>	<u>UNIT</u>	<u>PAGE</u>
4	1) Report On the Board's Escrow Account		3
5	2) VGOB-00-11/21-0848 (Continued)	VC-4527	
6	3) VGOB-00-12/19-0851 (Continued)	YYY-21	
7			
8	4) VGOB-93-02/16-0330-01	P-40	23
9	5) VGOB-91-05/21-0119-01	P-35	28
10	6) VGOB-93-04/20-0361-01	O-40	29
11	7) VGOB-91-05/21-0120-01 (Continued.)	Q-35	32
12	8) VGOB-01-03/20-0870	AV-110	35
13	9) VGOB-01-03/20-0880 (Continued)	B-31	
14			
15	10) VGOB-94-10/24-0481-02 (Continued)	P-308	
16	11) VGOB-93-01/19-0313 (Continued)	EH-108	
17			
18	12) VGOB-01-01/16-0855 (Continued)	AV-116	
19	13) VGOB-01-04/17-0882	A-21	50
20	14) VGOB-01-04/17-0883	K-35	60
21	15) VGOB-01-04/17-0884	M-36	67
22	16) VGOB-01-04/17-0885	T-16 & R-18	74
23	17) VGOB-01-04/17-0886	D022	80
24			
25			

2

3 ****AGENDA ATTACHED

4

5 BENNY WAMPLER: Okay, we'll go ahead and get
6 started. Good morning. My name is Benny Wampler. I'm
7 Deputy Director for the Department of Mines, Minerals and
8 Energy and Chairman of the Gas and Oil Board; and I'll ask
9 the Members to introduce themselves starting with Mr.
10 Mitchell.

11

12 KEN MITCHELL: My name is Ken Mitchell. I'm a
13 citizen member of the Gas and Oil Board.

14

15 MAX LEWIS: Max Lewis from Buchanan County. I'm a
16 public member.

17

18 SANDRA RIGGS: Sandra Riggs from the Office of the
19 Attorney General, here to advise the Board.

20

21 CLYDE KING: Clyde King from Abingdon. Welcome to
22 snow. I'm a member...I'm a public member.

23

24 BOB WILSON: I'm Bob Wilson. I'm the Director of
the Division of Gas and Oil and Principal Executive to the
staff of the Board.

25

26 BENNY WAMPLER: The first item on today's agenda is
27 the Board will receive a quarterly report on the Board's
28 escrow account that is administered by First Union Bank, the
29 escrow agent for the Board. Bob, did you...you handed out a

30

31

1 copy if you want to---.

2 BOB WILSON: Yes. I've given a copy of this to each
3 member of the Board. And very briefly, for the record, the
4 beginning balance as of the first of the quarter, which was
5 the first of year, of course, was \$4,667,283.05. During the
6 quarter, the total deposits of \$635,126.51 were placed in the
7 account. It drew interest in the amount \$66,699. There were
8 fees of \$30,000 removed. These were bank fees and this was
9 for two quarters. This was for the last quarter of 2000 and
10 the first quarter of 2001, and adjustments to the account of
11 \$1,416.19, leaving a final balance as of the end of the first
12 quarter \$5,337,692.37. As you know, this is a money market
13 account. So, we're not dealing with investments here, but
14 the annual percentage yield has declined from 6.10 in January
15 to 5.27 in March with the markets. We anticipate having the
16 escrow agent in July to give the next quarterly report and at
17 the same time, there will be disbursement reports and such as
18 that to attend to. If anybody has any questions regarding
19 the status of the account, I'll be glad to try to answer
20 them.

21 BENNY WAMPLER: Any questions from members of the
22 Board?

23 KEN MITCHELL: One question, Mr. Chairman.

24

--

1 BENNY WAMPLER: Mr. Mitchell?

2 KEN MITCHELL: I noticed there was an erroneous
3 deposit on page two, \$407.3...not that \$407 is a great
4 portion of \$5,000,000, but can...I've never seen an erroneous
5 deposit. Can you tell me what an erroneous is?

6 BOB WILSON: Yes, sir. These...that was a deposit
7 that was put into an account that did not have a proper VGOB
8 number and under our instructions, they sent that back to the
9 company and basically refunded it to them. It was put into
10 the account by mistake.

11 BENNY WAMPLER: Any other questions?

12 (No audible response.)

13 BENNY WAMPLER: Thank you, Bob. The next two items
14 are petitions from Equitable Production Company, dockets
15 number VGOB-00-11/21-0848 and VGOB-00-12/19-0851. There's a
16 request to continue those to May.

17 JIM KISER: That's fine. You got a letter from Mr.
18 Swartz and we've all agreed to that.

19 BENNY WAMPLER: Okay.

20 JIM KISER: In fact, maybe we can just run through
21 now all the ones we're going to continue.

22 BENNY WAMPLER: Okay. If you'll just state your
23 name for the record, please.

24

1 JIM KISER: Oh, I'm sorry. Wait just a second. Mr.
2 Chairman and members of the Board, Jim Kiser on behalf of
3 Equitable Production Company.

4 CRYSTAL STUMP: I'm Crystal Stump on behalf of
5 Buchanan Production Company.

6 JIM KISER: Okay. And I think you probably
7 received a copy of Crystal and Mark's letter dated April the
8 6th, and we've been having some meetings concerning these
9 wells and we'll continue to have them and hopefully we'll
10 have everything worked out before the May hearing. But being
11 that Mr. Swartz is in England, I guess, we've agreed to
12 continue item number two, which by the way, we have gotten
13 our Guardian-Ad-Litem on our incompetent. So, we will be
14 ready to go forward in May at least in that respect. Item
15 number three and---.

16 CRYSTAL STUMP: Item number nine as well.

17 JIM KISER: Item number nine.

18 CRYSTAL STUMP: All three of those will need to be
19 continued to May and they should be either resolved or ready
20 to be presented to the Board at that time.

21 JIM KISER: And then apparently...Mr. Wilson called
22 me regarding item number ten and apparently Mr. Henry
23 Keuling-Stout called and asked that one be continued. We
24

1 were ready with the escrow amounts for you on that Tract 12,
2 but that's fine. Do you want---?
3 SANDRA RIGGS: Do we have a written escrow report on
4 those?
5 JIM KISER: Do you have a written escrow report?
6 Well---.
7 SANDRA RIGGS: An accounting?
8 JIM KISER: I can send you a copy of what Equitable
9 sent me.
10 SANDRA RIGGS: Okay. I think that would help if we
11 got that on up through...I think the three part letter
12 requested that the accounting be provided in advance of the
13 hearing. So, as soon as we can get that and get up to the
14 escrow agent---.
15 JIM KISER: Okay.
16 SANDRA RIGGS: ---so they can get reconciled.
17 JIM KISER: I haven't got the three part letter. Do
18 you send it directly to the operator?
19 SANDRA RIGGS: Yeah.
20 JIM KISER: Okay. It's \$172.00
21 BOB WILSON: Excuse me, that's...is that...that's on
22 the P-308?
23 JIM KISER: Yeah. This is an internal escrow.
24

1 BOB WILSON: Yeah, all of this is internal---.

2 JIM KISER: Yeah.

3 BOB WILSON: ---escrows. There is no escrow

4 account at the bank and the Board Order specified that is be

5 escrowed by the company. So, the bank, I don't think is

6 involved in this.

7 BENNY WAMPLER: Okay. So, that one's ten and

8 eleven...items ten and eleven are continued...a request for a

9 continuance?

10 JIM KISER: Ten. I don't know about eleven.

11 SANDRA RIGGS: Well, one of them was an internal and

12 one of them was a bank escrow.

13 JIM KISER: Eleven's not mine.

14 BOB WILSON: The EH-108, which is item eleven, is in

15 the escrow account and if we're going through this, we have a

16 letter that we received from the attorney for the...some of

17 the claimants, Mr. Henry Keuling-Stout, and he has requested

18 that this item be...both of these items, ten and eleven be

19 continued until next month for multiple reasons; one, he was

20 totally unable to be here at this time; plus, he is not

21 satisfied that all of the accounting has been done and I

22 would agree with that. I think the money...Virginia Gas has

23 done their accounting, but the people involved have not

24

1 talked to each other and they have not verified this
2 accounting. And I talked to Brad Swanson who was here
3 earlier representing Virginia Gas and he says he has no
4 objection to the continuation of this item.

5 JIM KISER: Do you still want me to go ahead and
6 provide you with this? Yeah, but it's an internal escrow.

7 SANDRA RIGGS: I think he...I think if you send it
8 to Mr. Stout---

9 JIM KISER: Stout.

10 SANDRA RIGGS: ---that it will---

11 JIM KISER: Clear matters up.

12 SANDRA RIGGS: ---expedite the proceedings when we
13 do have the hearing.

14 BENNY WAMPLER: Yeah, I'll go ahead and read those
15 other three docket numbers into the record. That's item
16 number nine, it's docket number VGOB-01-03/20-0880. Item
17 number ten is VGOB-94-10/24-0481-02. And item number eleven
18 is VGOB-93-01/19-0313-01. There's a request for a
19 continuance of all of these items. Any objection from
20 members of the Board?

21 (No audible response.)

22 BENNY WAMPLER: Hearing none, they're continued.

23 JIM KISER: And, Mr. Chairman, at this time, I have
24

--

1 talked with Ms. Stump and she doesn't have any problems,
2 since we have only have one more item on the docket, which
3 happens to be item number eighteen, she doesn't...she's okay
4 with it if we move that one forward to what, I guess, would
5 now be number four and then she can just run all of hers
6 consecutively if the Board doesn't have any problem with
7 that. We are...the only known party that we're force pooling
8 in this one is a party that lives in Maryland, I believe.
9 Yeah, Maryland. And if you want to maybe make an
10 announcement to see if she might be here. Her name would be
11 Louise Schelin, S-C-H-E-L-I-N.

12 DON HALL: Schelin.

13 JIM KISER: Schelin.

14 BENNY WAMPLER: Any objection to moving item
15 eighteen?

16 (No audible response.)

17 BENNY WAMPLER: Hearing none, we'll move...we'll go
18 with item eighteen on the Board's agenda. The Gas and Oil
19 Board will consider a petition from Equitable Production
20 Company for pooling of a conventional well unit identified as
21 V-4024. This is docket number VGOB-01-04/17-0887. We'd ask
22 the parties that wish to address the Board in this matter to
23 come forward at this time.

24

--

1 JIM KISER: Mr. Chairman and Members of the Board,
2 Jim Kiser on behalf of Equitable Production. Our witness in
3 this matter will be Mr. Don Hall. While I'm passing out this
4 Revised B, I'd ask that he be sworn.

5 (Witness is duly sworn.)

6 (Mr. Kiser distributes the Exhibits.)

7 (Off record.)

8

9 DON HALL

10 having been duly sworn, was examined and testified as
11 follows:

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. KISER:

14 Q. Mr. Hall, if you'd---.

15 JIM KISER: Are we ready, Mr. Chairman?

16 BENNY WAMPLER: Yes.

17 Q. Mr. Hall, if you'd state your name for the
18 record, who you're employed by and in what capacity?

19 A. My name is Don Hall. I'm employed by
20 Equitable Production Company as District Landman.

21 Q. And do your responsibilities include the
22 land involved in the unit for well V-4024?

23 A. They do.

24

--

1 Q. And are you familiar with Equitable's
2 application for the establishment of a drilling unit in the
3 seeking of a pooling order for Equitable well number V-4024,
4 which was dated March the 15th of 2001?

5 A. Yes, I am.

6 Q. Does Equitable own drilling rights in the
7 unit involved here?

8 A. Yes, we do.

9 Q. Now, prior to filing the application, were
10 efforts made to contact each of the respondents and an
11 attempt made to work out a voluntary lease agreement made
12 with each of the respondents?

13 A. Yes.

14 Q. Okay. Let's walk you through. We've got
15 some changes. As you've noticed, we've presented the Board
16 with a revised Exhibit B. At the time the application was
17 filed, the leased interest was 92...roughly 92%, is that
18 correct?

19 A. Roughly.

20 Q. And now at the time of the hearing, what is
21 the leased interest of Equitable within the unit?

22 A. 94.25%.

23 Q. Okay. And are you familiar with the
24

1 ownership of drilling rights of parties other than Equitable
2 underlying this unit?

3 A. Yes.

4 Q. And the unleased percentage at this time?

5 A. The unleased percentage is 5.75%.

6 Q. Okay. So, then obviously, subsequent to the
7 filing of the application you continued to attempt to reach a
8 voluntary agreement with the respondents listed in the
9 original Exhibit B?

10 A. Yes, we did.

11 Q. And could you...you did pick up, I think,
12 three additional leases?

13 A. That's correct.

14 Q. Could you at this time point those out for
15 the Board on that revised Exhibit B?

16 A. Tract #2 on the revised Exhibit B, the...we
17 had Barron Nickels leased at the time of the application.
18 We've since...subsequently picked up Georgia Nickels, Hilda
19 Nickels and Ada Blumanshine since the application was
20 applied.

21 Q. Okay. So, as we...as the situation
22 currently exist right now at the time of the hearing, the
23 leased interest is 94.25% and the unleased interest is 5.75%?

24

--

1 A. Yes.

2 Q. And all parties that are known to the
3 applicant are leased with the exception of Louise Shelin?

4 A. Shelin. Yes, sir.

5 Q. Shelin.

6 A. Yes, sir, that's correct.

7 Q. Okay. So, all the unleased parties that we
8 would ask the Board to force pool are set out in the revised
9 Exhibit B?

10 A. That's correct.

11 Q. Okay, were efforts made to determine if
12 individual respondents were living or deceased or their
13 whereabouts, and if deceased, were efforts made to determined
14 the names and the addresses and whereabouts of the successors
15 to any deceased individuals?

16 A. They were.

17 Q. And we do have one, two, three, four
18 unknown, undivided interests; and were reasonable and
19 diligent efforts made and sources checked to identify and
20 locate any unknown parties including primary sources such as
21 deed records, probate records, assessors's records,
22 treasurers's records and secondary sources such as telephone
23 directories, city directories, family and friends?

24

1 A. That's correct.

2 Q. In your professional opinion, Mr. Hall, was
3 due diligence exercised to locate each of the respondents
4 named in the revised Exhibit B?

5 A. Yes, they were.

6 Q. And are the addresses set out in the revised
7 Exhibit B to the application the last known addresses for the
8 respondents?

9 A. They are.

10 Q. And are you requesting this Board to force
11 pool all unleased interests listed in revised Exhibit B?

12 A. Yes.

13 Q. Okay. Are you familiar with the fair market
14 value of drilling rights in the unit here and in the
15 surrounding area?

16 A. Yes.

17 Q. Could you advise the Board as to what those
18 are?

19 A. Five dollar bonus, a five year term and a
20 one-eighth royalty.

21 Q. And did you gain your familiarity with these
22 fair market values by acquiring oil and gas leases and other
23 agreements involving the transfer of drilling rights in the
24

1 unit involved here and in the surrounding area?

2 A. Yes.

3 Q. In your professional opinion, do the terms
4 you have testified to represent the fair market value of and
5 the fair and reasonable compensation to be paid for drilling
6 rights within this unit?

7 A. They do.

8 Q. Now, as to those parties who are...who have
9 not either agreed to voluntarily lease to Equitable or are
10 unknown, do you recommend that these respondents be allowed
11 the following options with respect to their ownership within
12 the unit: One, participation; two, a cash bonus of \$5 per
13 net mineral acre and one-eighth of eighth-eighths royalty;
14 three, in lieu of a cash bonus and one-eighth of eighth-
15 eighths royalty share in the operation of the well on a
16 carried basis as a carried operator under the following
17 conditions: Such carried operator shall be entitled to the
18 share of production from the tracts pooled accruing to his
19 interest exclusive of any royalty or overriding royalty
20 reserved in any leases, assignments thereof, or agreements
21 relating thereto of such tracts, but only after the proceeds
22 applicable to his share equal: A) 300% of his share of such
23 costs applicable to the interest of a carried operator of a

24

--

1 leased tract or portion thereof; or B) 200% of his share of
2 such costs applicable to the interest of the carried operator
3 of an unleased tract or portion thereof?

4 A. Yes.

5 Q. Do you recommend that any order provide the
6 elections by the respondents be in writing and sent to the
7 applicant at Equitable Production Company, 1710 Pennsylvania
8 Avenue, Charleston, West Virginia area code 25...I mean, zip
9 code, 25328, Attention: Melanie Freeman, Regulatory?

10 A. Yes, sir.

11 Q. Should this be the address for all
12 communications with the applicant concerning any force
13 pooling order?

14 A. Yes, it should.

15 Q. Do you recommend that the order provide that
16 if no written elections was properly made by a respondent,
17 then such respondent should be deemed to have elected the
18 cash royalty option in lieu of any participation?

19 A. Yes.

20 Q. Should the unleased respondents be given
21 thirty days from the date the Board is executed to file
22 written elections?

23 A. Yes.

24

--

1 Q. If an unleased respondent elects to
2 participate, should they be given forty-five days to pay the
3 applicant for respondent's proportionate share of well costs?

4 A. Yes.

5 Q. Does the applicant expect the party electing
6 to participate to pay in advance that party's share of
7 completed well costs?

8 A. Yes.

9 Q. Should the applicant be allowed a hundred
10 and twenty days following the recording date of the Board
11 order and thereafter annually on that date until production
12 is achieved to pay or tender any cash bonus becoming due
13 under any force pooling order?

14 A. Yes.

15 Q. Do you recommend that the order provide that
16 if a respondent elects to participate but fails to pay the
17 respondents proportionate share of well costs satisfactory to
18 the applicant for the payment of such costs, then the
19 respondent's election to participate should be treated as
20 having been withdrawn and void?

21 A. Yes.

22 Q. Do you recommend that the order provide that
23 where a respondent elects to participate but defaults in
24

1 regard to the payment of well costs, any cash sum becoming
2 payable should be paid within sixty days after the last date
3 on which such respondent could have paid or made satisfactory
4 arrangement for the payment of those costs?

5 A. Yes.

6 Q. Do you recommend that the order provide that
7 if a respondent refuses to accept any payment due including
8 any payment due under the order or any payment of royalty of
9 cash bonus, or said payment cannot be paid to a party for any
10 reason or there's a title defect in respondent's interest,
11 that the operator create an escrow account for the
12 respondent's benefit until the time the money can be paid to
13 the party or until the title defect is cured to the
14 operator's satisfaction?

15 A. Yes.

16 Q. In this particular case, we do need an
17 escrow account set up to handle the unknown interest?

18 A. That's correct.

19 Q. And who should be named the operator under
20 any force pooling order?

21 A. Equitable Production Company.

22 Q. Now, what is the total depth of the proposed
23 well under the applicant's plan of development?

24

--

1 A. The well is 321...3221 feet as it is in the
2 application.

3 Q. Okay. And is the applicant requesting the
4 force pooling of conventional gas reserves not only to
5 include the designated formations but any other formations,
6 excluding coal formations, which may be between those
7 formations designated from the surface to the total depth
8 drilled?

9 A. Yes.

10 Q. What are the estimated reserves underlying
11 the unit?

12 A. 400,000,000 cubic feet.

13 Q. Are you familiar with the well costs for the
14 proposed well under the plan of development?

15 A. Yes.

16 Q. And has an AFE been reviewed, signed and
17 submitted to the Board?

18 A. Yes, it has.

19 Q. And was this AFE prepared by an engineering
20 department knowledgeable in the preparation of AFEs and
21 knowledgeable in regard to well costs in this area?

22 A. It was.

23 Q. In your professional opinion, does the AFE
24

1 represent a reasonable estimate of the well costs under the
2 plan of development?

3 A. Yes.

4 Q. Could you state for the Board at this time
5 what both the dry hole costs and completed well costs are?

6 A. The dry hole costs is \$108,755 and completed
7 well costs is \$218,655.

8 Q. Do these costs anticipate a multiple
9 completion?

10 A. They do.

11 Q. Does the AFE include a reasonable charge for
12 supervision?

13 A. It does.

14 Q. In your professional opinion, will the
15 granting of this application be in the best interest of
16 conservation, the prevention of waste and the protection of
17 correlative rights?

18 A. Yes.

19 JIM KISER: Nothing further of this witness at this
20 time, Mr. Chairman.

21 BENNY WAMPLER: I have one question. The...in your
22 Exhibit B.

23 JIM KISER: The original one?
24

1 BENNY WAMPLER: Well, either one. Well, the one you
2 handed out today. Let's just go with it since it replaced
3 the other one. On your tract, you show Mrs. M. R. Nickels
4 Estate. Are all these people heirs to the Mrs. M. R. Nickels
5 Estate.

6 DON HALL: That's correct. That's correct.

7 BENNY WAMPLER: Okay. I didn't see that on
8 the...identified as such on the Exhibit and he may have said.
9 I didn't hear it.

10 CLYDE KING: Oh, the unknowns, is that what you're
11 talking about?

12 DON HALL: None unknowns. All the ones that are---.

13 CLYDE KING: Oh.

14 DON HALL: All of Tract 2 is the M. R. Nickels
15 Estate.

16 BENNY WAMPLER: I was just clarifying that just to
17 make sure. I thought that was the case. Any...any other
18 questions from members of the Board?

19 (No audible response.)

20 BENNY WAMPLER: Do you have anything further?

21 JIM KISER: Mr. Chairman, we'd ask that the
22 application be approved as submitted.

23 BENNY WAMPLER: Is there a motion?

24

--

1 CLYDE KING: So moved.

2 BENNY WAMPLER: Motion to approve.

3 KEN MITCHELL: I second.

4 BENNY WAMPLER: Second. Any further discussion?

5 (No audible response.)

6 BENNY WAMPLER: All in favor, signify by saying yes?

7 (All members signify yes.)

8 BENNY WAMPLER: Opposed, say no.

9 (No audible response.)

10 BENNY WAMPLER: You have approval. Thank you very

11 much.

12 JIM KISER: Thank you.

13 DON HALL: Thank you.

14 CLYDE KING: I have a question. Since we've all

15 noticed the increase in gas prices these days, where does

16 your gas go...I mean, your methane?

17 DON HALL: We have two markets for our gas. The gas

18 in the Roaring...what we call our Roaring Fork Field goes

19 North into Kentucky, into the Columbia gas system over there.

20 CLYDE KING: Is that the same one that is used where

21 we saw the big plant there in Buchanan County?

22 DON HALL: I'm not sure what plant you're talking

23 about.

24

1 CLYDE KING: Well, we went up to...to the one there
2 in Buchanan County and all of their gas goes into there and
3 it's distributed out, right?

4 DON HALL: The pipeline I'm talking about is in Wise
5 County.

6 CLYDE KING: Okay.

7 DON HALL: And it goes North into Kentucky.

8 BENNY WAMPLER: A different company.

9 CLYDE KING: It goes into Columbia?

10 MAX LEWIS: In...into Kentucky. Yeah.

11 DON HALL: In the Columbia system. And then
12 our...we have a system in...the gas that comes out of
13 Buchanan and Dickenson and Russell Counties goes into the
14 East Tennessee Natural Gas pipeline that comes into the
15 pipeline here in Abingdon---.

16 CLYDE KING: Right.

17 DON HALL: ---and it's distributed.

18 CLYDE KING: The old East Tennessee Gas---.

19 DON HALL: Right, yeah.

20 DON HALL: Yeah, I think...I believe it belongs to
21 Duke Energy now, if I'm not mistaken.

22 CLYDE KING: Have you noticed the increase in moneys
23 coming back to you folks in this with the increase in prices?
24

1 I guess that's what I'm getting to.

2 DON HALL: Personally...personally, I haven't.

3 MAX LEWIS: I don't think you'd know anything about
4 that.

5 CLYDE KING: Where's all of our money going? I
6 guess, that's what I really want to know.

7 DON HALL: I haven't noticed it personally in my
8 paycheck.

9 JIM KISER: Well, I wish we would have bought
10 Equitable stock about two years ago.

11 DON HALL: Yeah. Yeah, obviously, the gas
12 prices...the increased gas prices has...you're seeing more
13 revenue from them.

14 BENNY WAMPLER: Okay. Thank you. The next item on
15 the agenda is docket number VGOB-93-02/16-0330-01. This is
16 for unit P-40. We'd ask the parties that wish to address the
17 Board in this matter to come forward at this time.

18 (Leslie K. Arrington distributes exhibits.)

19 CRYSTAL STUMP: I'm Crystal Stump on behalf of
20 Pocahontas Gas. Les Arrington is going to go through this
21 escrow information with you all.

22 BENNY WAMPLER: Okay. We'll need to get him sworn,
23 please.

24

1 (Witness is duly sworn.)

2

3 LESLIE K. ARRINGTON

4 having been duly sworn, was examined and testified as
5 follows:

6 DIRECT EXAMINATION

7 QUESTIONS BY MS. STUMP:

8 Q. Would you please state your name?

9 A. Leslie K. Arrington.

10 Q. And for whom do you work?

11 A. Consol Energy as a gas engineer.

12 Q. Would you please go through this information
13 for the Board?

14 A. Yes. We have a royalty split agreement
15 between Reserved Coal Properties and Ronald Clyborne for unit
16 P-40. And what you have there in front of you have there in
17 front of you is our escrow balance sheet. It does balance.
18 And Mr. Clyborne and the Reserved Coal Properties is in Tract
19 #9. As of February the 25th, the balance in the account
20 for...to be split would be \$21,862.29.

21 SANDRA RIGGS: Les, I've seen Mr. Clyborne's name
22 listed both corporate and individually. How is the split
23 agreement executed?

24

--

1 LESLIE K. ARRINGTON: Okay. It would be as an
2 individual.

3 SANDRA RIGGS: Individually?

4 LESLIE K. ARRINGTON: Uh-huh. Let me make sure how
5 he...how he has signed back here.

6 CRYSTAL STUMP: The agreement is signed as an
7 individual. There's no corporate entity indication on the
8 agreement.

9 SANDRA RIGGS: In some...in some of the units, the
10 Exhibit B-3 shows that the interest is held in a corporate
11 capacity.

12 LESLIE K. ARRINGTON: Okay.

13 SANDRA RIGGS: And in some it's indicated in an
14 individual capacity and since we don't have the title work,
15 we have to go by the exhibit that you provide.

16 LESLIE K. ARRINGTON: Okay.

17 SANDRA RIGGS: And I guess my concern is, I assume
18 that he...he may be a closely held corporation, but we really
19 don't know that. He probably either needs to provide us
20 with...with a split agreement signed the way the exhibit
21 shows for those units where it's held in a corporate capacity
22 or the exhibit needs to be revised to show that it's held in
23 an individual capacity.

24

--

1 LESLIE K. ARRINGTON: Okay.

2 SANDRA RIGGS: But they need to be reconciled.

3 LESLIE K. ARRINGTON: Okay.

4 BENNY WAMPLER: Would you spell his name?

5 LESLIE K. ARRINGTON: It's C-L-Y-B-O-R-N-E.

6 BENNY WAMPLER: The first name is?

7 LESLIE K. ARRINGTON: Ronald.

8 BENNY WAMPLER: Okay. I've got two different

9 spellings is the reason I was asking. One is C-L-A-Y-B-O-

10 R---.

11 LESLIE K. ARRINGTON: I noticed that on those.

12 BENNY WAMPLER: Okay. But it is C-L-Y?

13 LESLIE K. ARRINGTON: Yes, sir.

14 BENNY WAMPLER: And I think the reason Sandy was

15 asking is under one it says Clyborne, Inc.

16 SANDRA RIGGS: Right.

17 LESLIE K. ARRINGTON: Yes, sir. At one time he

18 did...he did have it that way.

19 MR. STREET: Okay.

20 SANDRA RIGGS: This particular one, I was looking to

21 see.

22 (Benny Wampler and Sandra Riggs confer.)

23 SANDRA RIGGS: Ron, in care of First National Bank.

24

1 LESLIE K. ARRINGTON: Yes.
2 (Benny Wampler and Sandra Riggs confer.)
3 BENNY WAMPLER: Do you have a copy of the split
4 agreement---?
5 LESLIE K. ARRINGTON: I do.
6 BENNY WAMPLER: ---that you can present to the
7 Board?
8 (LESLIE K. ARRINGTON hands the document to the
9 Board.)
10 BENNY WAMPLER: We'd like to receive that into
11 evidence then as part of the record.
12 CRYSTAL STUMP: Then we'll get that reconciled, that
13 issue between the corporate and the individual entity
14 reconciled and resubmit to the Board.
15 BENNY WAMPLER: Okay. And you're seeking
16 disbursement of all funds as indicated in your request?
17 CRYSTAL STUMP: Yeah. Yes, we are.
18 LESLIE K. ARRINGTON: Uh-huh. On Tract 9.
19 BENNY WAMPLER: Any questions from members of the
20 Board?
21 (No audible response.)
22 BENNY WAMPLER: Do you have anything further?
23 LESLIE K. ARRINGTON: Not on the---.
24

1 CRYSTAL STUMP: Not on this particular docket
2 number.
3 BENNY WAMPLER: Is there a motion to approve?
4 MAX LEWIS: I make a motion we approve.
5 KEN MITCHELL: I second.
6 BENNY WAMPLER: The motion is seconded. Any further
7 discussion?
8 (No audible response.)
9 BENNY WAMPLER: All in favor, signify by saying yes.
10 (All members signify yes.)
11 BENNY WAMPLER: Opposed, say no.
12 (No audible response.)
13 BENNY WAMPLER: You have approval. The next item on
14 the agenda is the Board will reconvene docket number VGOB-91-
15 05/21-0119. That becomes docket 91-05/21-0119-01 today for
16 unit P-35. We'd ask the parties that wish to address the
17 Board in this matter to come forward at this time. This is
18 another royalty split agreement.
19 CRYSTAL STUMP: My name is Crystal Stump and I'm
20 appearing on behalf of Buchanan Production Company. Mr.
21 Arrington has just handed out the escrow sheet and he remains
22 sworn.

23

24

--

1 LESLIE K. ARRINGTON

2 DIRECT EXAMINATION

3 QUESTIONS BY MS. STUMP:

4 Q. Would you please state your name for the
5 record?

6 A. Leslie K. Arrington.

7 Q. And for whom do you work?

8 A. Consol Energy.

9 Q. In what capacity?

10 A. As a gas engineer.

11 Q. Mr. Arrington, would you address this escrow
12 information?

13 A. Yes. Yes, this is for unit P-35 and again
14 it's Ronald Clyborne and Reserved Coal Properties and they
15 have a royalty split agreement for Tract #3 within this unit
16 and the total in this unit to be split would be \$1,132.80 and
17 this is up through February the 23rd of 2001.

18 CRYSTAL STUMP: And, Board, we're seeking
19 disbursement of those funds. And, again, I think that we
20 have the same issue as to the clarification for the Board as
21 to whether this is in the individual or corporate capacity
22 and we will submit that information to you shortly after the
23 hearing.

24

--

1 BENNY WAMPLER: Any questions from members of the
2 Board?
3 (No audible response.)
4 BENNY WAMPLER: Is there a motion to approve?
5 MAX LEWIS: I make a motion that we approve.
6 KEN MITCHELL: Second.
7 BENNY WAMPLER: Motion and second. Any further
8 discussion?
9 (No audible response.)
10 BENNY WAMPLER: All in favor, signify by saying yes.
11 (All members signify yes.)
12 BENNY WAMPLER: Opposed, say no.
13 (No audible response.)
14 BENNY WAMPLER: You have approval for disbursement.
15 The next item on the agenda is reconvening docket VGOB-93-
16 04/21-0361 for unit O-40. This is another royalty split
17 agreement for disbursement. Today's docket VGOB-93-04/20-
18 0361-01. We'd ask the parties that wish to address the Board
19 in this matter to come forward at this time.
20 CRYSTAL STUMP: I am Crystal Stump. I'm appearing
21 on behalf of Pocahontas Gas Partnership. With me is Les
22 Arrington. He still remains sworn.

23

24

--

1

2

LESLIE K. ARRINGTON

3

DIRECT EXAMINATION

4 QUESTIONS BY MS. STUMP:

5

Q. Would you please state your name?

6

A. Leslie K. Arrington.

7

Q. And for whom do you work?

8

A. Consol Energy as a gas engineer.

9

Q. And have you just handed to the Board the

10 escrow statement?

11

A. I have.

12

Q. And did it balance with the bank's numbers?

13

A. Yes...yes, it did. In this unit, we're

14 looking at Tract #2 for a royalty split agreement between Ron

15 Clyborne and Reserved Coal Properties. The balance in that

16 tract is \$5,064.71 as of February the 25th of 2001.

17

BENNY WAMPLER: We have...here again, for this

18 individual, in this order we have him listed two different

19 ways and two different addresses.

20

LESLIE K. ARRINGTON: Yes. Probably Bluefield, West

21 Virginia and Washington.

22

SANDRA RIGGS: Woodway---.

23

BENNY WAMPLER: Woodway---?

24

--

1 SANDRA RIGGS: ---and Bluefield.
2 BENNY WAMPLER: ---and Washington?
3 LESLIE K. ARRINGTON: Yes. Yes.
4 BENNY WAMPLER: We'd just like written
5 clarification---.
6 LESLIE K. ARRINGTON: Okay.
7 BENNY WAMPLER: ---that that's one and the same
8 individual and the correct spelling and the names as well
9 as---,
10 LESLIE K. ARRINGTON: Okay.
11 BENNY WAMPLER: ---tying it all together as a
12 follow up to this.
13 LESLIE K. ARRINGTON: Okay.
14 CRYSTAL STUMP: We'll get all of those
15 clarifications submitted to the Court and seek disbursement.
16 SANDRA RIGGS: And the disbursement was which tract?
17 LESLIE K. ARRINGTON: Tract #2 on---.
18 SANDRA RIGGS: 2.
19 LESLIE K. ARRINGTON: ---O-40.
20 BENNY WAMPLER: In the amount of \$5,064.71 is the
21 request, is that correct?
22 LESLIE K. ARRINGTON: Uh-huh. I might add back on
23 P-35, the money that's in the escrow, that's the only tract
24

1 in P-35 that is in escrow. So, whatever is there is to be
2 split.

3 BENNY WAMPLER: Is all the money?

4 LESLIE K. ARRINGTON: Yes.

5 BENNY WAMPLER: Okay. Any questions of this unit
6 from members of the Board?

7 (No audible response.)

8 BENNY WAMPLER: Is there a motion to approve?

9 CLYDE KING: So moved.

10 MAX LEWIS: I second.

11 BENNY WAMPLER: Second. Any further discussion?

12 (No audible response.)

13 BENNY WAMPLER: All in favor, signify by saying yes.

14 (All members signify yes.)

15 BENNY WAMPLER: Opposed, say no.

16 (No audible response.)

17 BENNY WAMPLER: You have approval. The next item is
18 another royalty split agreement. This is reconvening docket
19 number VGOB-91-05/21-0120 for unit Q-35, today's docket
20 number 91-05/21-0120-01. We'd ask the parties that wish to
21 address the Board in this matter to come forward at this
22 time.

23 CRYSTAL STUMP: Crystal Stump, appearing on behalf
24

1 of Buchanan Production and Consol Energy. With me is Les
2 Arrington. He has just handed to the Board a spreadsheet for
3 the escrow accounting.

4

5

6 LESLIE K. ARRINGTON

7 DIRECT EXAMINATION

8 QUESTIONS BY MS. STUMP:

9 Q. Would you please state your name for the
10 record?

11 A. Leslie K. Arrington.

12 Q. And by whom are you employed?

13 A. Consol Energy as a gas engineer.

14 Q. Would you explain to the Board this
15 statement?

16 A. Yes. This is for unit Q-35. Again, it's a
17 for a royalty split between Ronald Clyborne and Reserved Coal
18 Properties. This is for Tract #3 and the balance to be split
19 would be \$780.95 and this is up through February the 23rd of
20 2001.

21 CRYSTAL STUMP: And, again, to the Board, I
22 represent that we'll get those clarifications with respect to
23 whether a corporate and individual entities, spellings and

24

--

1 addresses and seek disbursement of the same.

2 (Benny Wampler and Sandra Riggs confer.)

3 BENNY WAMPLER: We're trying to verify tracts here.

4 SANDRA RIGGS: In the amended supplemental order

5 notifying the bank of the split agreement, it's a Tract #2,

6 which is a 0.01 acre tract.

7 LESLIE K. ARRINGTON: Okay.

8 (Benny Wampler and Sandra Riggs confer.)

9 LESLIE K. ARRINGTON: I didn't bring my folders on

10 this.

11 BENNY WAMPLER: That's okay. We were showing Tract

12 3 on...for P-35 but not for Q-35 and both of them are in

13 here.

14 (Benny Wampler and Sandra Riggs confer.)

15 CLYDE KING: Is this Q-35?

16 BENNY WAMPLER: That's how we have it listed, but in

17 the exhibits, there was an Exhibit EE that showed P-35 that

18 had a Tract 3 that showed Clayborne or Clyborne,

19 Incorporated. But in the EE for Q-35, it didn't list for

20 Tract...it didn't have Tract 3. It only had Tract 2.

21 (Leslie K. Arrington and Crystal Stump confer.)

22 CRYSTAL STUMP: We'll need to continue that and get

23 that information all resolved.

24

1 LESLIE K. ARRINGTON: We'll get that corrected.

2 BENNY WAMPLER: Okay. All right. That item will be
3 continued until next time. Yeah, there's a couple other
4 discrepancies in there, too, about the---.

5 LESLIE K. ARRINGTON: On that one?

6 BENNY WAMPLER: Yeah.

7 LESLIE K. ARRINGTON: Okay. I'll (inaudible).

8 BENNY WAMPLER: Is everybody following me? We're
9 continuing---.

10 CLYDE KING: Which one?

11 BENNY WAMPLER: ---item number seven on your docket.

12 CLYDE KING: Okay.

13 BENNY WAMPLER: Okay, the next item is to consider a
14 petition from Pocahontas Gas Partnership for pooling of a
15 coalbed methane unit under the Middle Ridge Coalbed Methane
16 Gas Field Order identified as AV-110. That is docket number
17 VGOB-01-03/20-0870. We'd ask the parties that wish to
18 address the Board in this matter to come forward at this
19 time.

20 CRYSTAL STUMP: My name is Crystal Stump. I'm
21 appearing on behalf of Pocahontas Gas Partnership. You all
22 may recall that this was noticed for the March docket and was
23 continued because of a notice issue. We indicated that we
24

1 needed to add the Ellen Brown heirs. The amended notice and
2 accompanying documents were previously filed with you all and
3 Mr. Arrington is now, I believe, passing out a revised well
4 plan, Exhibit A. That...the first plat said Oakwood I Field
5 and the revised says Middle Ridge I Field, or is that all the
6 exhibits?

7 LESLIE K. ARRINGTON: That's all of them.

8 CRYSTAL STUMP: I'm sorry that...what he has just
9 handed is all of the amended exhibits. So, you've got
10 revisions to Exhibit B-2 where Ellen Brown heirs were added,
11 Exhibit B-3, Exhibit A and Exhibit E and all of these were
12 already incorporated into the amended Notice of Hearing
13 previously filed.

14 BENNY WAMPLER: All right. The record will show
15 there are no others. You may proceed.

16 (Parties come to the table).

17 BENNY WAMPLER: Correct the record. If you
18 gentlemen will just, for the record, if you'll state your
19 name at this time and we'll call on you---.

20 TIVIS BROWN: I'm Tivis Brown. I'm one of the Ellen
21 Brown heirs.

22 EARL BROWN: I'm Earl Brown. I'm one of the Ellen
23 Brown heirs.

24

--

1 BENNY WAMPLER: Thank you. You may proceed.

2 LESLIE K. ARRINGTON

3 DIRECT EXAMINATION

4 QUESTIONS BY MS. STUMP:

5 Q. Would you please state your name?

6 A. Leslie K. Arrington.

7 Q. And by whom are you employed?

8 A. Consol Energy as a gas engineer.

9 Q. And who is the applicant in this matter?

10 A. Pocahontas Gas...Pocahontas Gas Partnership.

11 Q. And is Pocahontas Gas Partnership a Virginia
12 General Partnership?

13 A. Yes.

14 Q. And it's two partners are Consolidation Coal
15 Company and Conoco, Incorporated?

16 A. Yes, it is.

17 Q. With regard to the matter of designated
18 operator, are you requesting that PGP be designated as...I'm
19 sorry, Pocahontas Gas Partnership, are you requesting that
20 they be designated the unit operator by the Virginia Gas and
21 Oil Board?

22 A. Yes, we are.

23 Q. Is Pocahontas Partnership authorized to do
24

--

1 business in the Commonwealth of Virginia?

2 A. Yes, it is.

3 Q. Is it registered with the DMME and have a

4 blanket bond on file as required by law?

5 A. Yes, it does.

6 Q. With respect to the respondents, are the

7 names of the persons to be pooled listed in the Notice of

8 Hearing and the amended Notice of Hearing?

9 A. Yes, they are.

10 Q. The addresses of the respondents listed in

11 the Notice of Hearing, are they set forth in Exhibit B to the

12 extent that we have...B-3 to the extent that we have their

13 addresses?

14 A. Yes, they are.

15 Q. Do you desire to amend this to add any other

16 respondents?

17 A. No, we do not.

18 Q. Do you wish to dismiss any respondents?

19 A. No.

20 Q. Has Pocahontas Gas Partnership exercised due

21 diligence to identify and locate persons having record title

22 to oil, gas and/or coal, and having identified such persons,

23 has exercised due diligence in trying to locate such persons?

24

1 A. Yes, we have.

2 Q. And have you filed an affidavit of due
3 diligence?

4 A. Yes, we have.

5 Q. Was notice mailed via Certified Mail/Return
6 Receipt requested as required by Virginia Code Section 45.1-
7 361.19 on both February the 16th, 2001, and again on March
8 the 22nd, 2001?

9 A. Yes, it was.

10 Q. And was the notice mailed to the respondents
11 listed in the amended Notice of Hearing for whom we have
12 addresses as shown on Exhibit B-3?

13 A. Yes, it was.

14 Q. Was certification of notice filed regarding
15 this application returned by a post office or status unknown
16 at the time of certification of notice was prepared?

17 A. Yes, it was.

18 Q. Was it also published in the Bluefield Daily
19 Telegraph both on February the 21st, 2001, and again on March
20 the 27th, 2001?

21 A. Yes, it was.

22 Q. Were the certificates of publication filed?

23 A. Yes, it was.

24

1 Q. Would you refer to revised Exhibit A, page
2 two. Would you go through this document with the Board that
3 sets forth the ownership information?

4 A. Yes, I would. It...it shows that
5 Consol...Pocahontas Gas Partnership has 100% of the coal,
6 coalbed methane interest leased and 97.278% of the oil and
7 gas, coalbed methane interest. We're seeking to pool 2.722%
8 of the oil and gas interest.

9 Q. And what are the lease terms typically
10 offered by the applicant?

11 A. It's a dollar per acre per year for a
12 coalbed methane lease with a five year term with a one-eighth
13 royalty.

14 Q. And is rental only payable on an annual
15 basis until the production commences and thereafter only
16 royalty payable?

17 A. Yes, it is.

18 Q. Do you recommend the same to the Board as
19 the terms which it should include in its pooling order if
20 issued with regard to the persons who may be deemed to have
21 been leased?

22 A. Yes, we do.

23 Q. I would like to go through the description
24

1 of the drilling unit. Is it a 51 acre frac unit under the
2 Middle Ridge I rules?

3 A. Yes, it is.

4 Q. Are you seeking to pool and develop all coal
5 seams from the Jawbone Seam if the Jawbone is below drainage,
6 and if not, from all below drainage coal seams below the
7 Jawbone?

8 A. Yes, we are.

9 Q. How many wells are in the unit?

10 A. One.

11 Q. Is the well location within the drilling
12 window?

13 A. Yes, it is.

14 Q. Do any of the wells require a location
15 exception?

16 A. No.

17 Q. Exhibit C sets forth the estimated well
18 cost. Are they \$207,508.88?

19 A. Yes, it is.

20 Q. Is the permit number #4798?

21 A. Yes, it is.

22 Q. And was it drilled on January the 22nd,
23 2001?

24

--

1 A. Yes, it was.

2 Q. I notice we don't have the depth listed. If
3 you look at the cost estimate, can you tell...is it 2,468
4 feet?

5 A. Yes, it is.

6 Q. Is the interest of each respondent shown on
7 revised Exhibit B-3 in the column entitled interest in unit?

8 A. Yes, it is.

9 Q. And to calculate the participation cost, do
10 you multiple the percentage times well costs?

11 A. Yes.

12 Q. Is the same percentage relevant to royalty?
13 For example, percentage times 12.5 is the royalty share and
14 the carried interest, if elected.

15 A. Yes, it is.

16 Q. Exhibit E indicates that escrow is required
17 for both persons who addresses are unknown and for persons
18 whose claims are in conflict, is that correct?

19 A. It does.

20 Q. In your opinion, is the applicant's plan of
21 development a reasonable plan for development of the coalbed
22 methane resource within and under the unit for the benefit of
23 the owners of said resource?

24

--

1 A. Yes, it is.

2 Q. Will the proposed well contribute to the
3 protection of the correlative rights of the owners of the
4 methane within and under the unit in question and lessen the
5 likelihood of both physical waste and economic waste?

6 A. Yes, it is.

7 CRYSTAL STUMP: At this time, we request that this
8 be approved.

9 TIVIS BROWN: I've got one thing to say, if I'd not
10 be out of order.

11 BENNY WAMPLER: Restate your...restate your name, if
12 you will.

13 CRYSTAL STUMP: You need to state your name.

14 TIVIS BROWN: Tivis Brown. On this Myrtle Norton,
15 they said that they mailed out proper notice to everybody.
16 Well, she's deceased and she has two heirs.

17 BENNY WAMPLER: They show someone picked up the
18 notice. I guess it will tell us who if we can find it in
19 here. I'm not for sure I can read it. But it looks like a
20 Mitzi Helburn or something like that. Is that one of them?

21 (No audible response.)

22 BENNY WAMPLER: Sir, I don't know if you heard me or
23 not, but someone picked...picked up her...the mailing.

24

1 TIVIS BROWN: Well, it doesn't show us, though, on
2 the document that we've got here today for AV-110.

3 BENNY WAMPLER: Well---.

4 TIVIS BROWN: I didn't have a copy of this...I
5 didn't go through it and look at it on the original copy
6 where it was mailed out to us. Let's see, page four as six
7 still lists as Myrtle Norton Brown as to heir and she's
8 deceased and she has two heirs.

9 LESLIE K. ARRINGTON: Okay. We just received a
10 letter from this Mitzi Norton requesting that be changed.

11 TIVIS BROWN: On the original part where the Ellen
12 Brown tract of land, I'm one of the top, what you say
13 poolers, I guess. It was over one percent. On this here
14 where they're wanting to pool AV-110, they've got me down as
15 11% on...I know that, you know, the government and the state
16 will decide one day who this belongs to, this methane coalbed
17 gas. I still contend it's mine and the company contends it's
18 theirs. I see no problem so far with what they're asking on
19 that except I think the not...the proper notice needs to be
20 mailed out to all of the heirs where they have the right to
21 be present.

22 SANDRA RIGGS: Well, he says that he has received a
23 letter from those heirs requesting the record to be changed.

24

--

1 So, evidently they picked up the mail that was sent to her
2 and they acknowledged that they've received and they request
3 the records to be corrected.

4 LESLIE K. ARRINGTON: And will do so...we'll do that
5 in our supplemental order.

6 SANDRA RIGGS: So, they're all noticed.

7 CRYSTAL STUMP: So, they have notice now. They've
8 acknowledged that they have notice because they've received
9 it and communicated with us to say change...change the names
10 from here on out and they...and they will undertake to do
11 that.

12 TIVIS BROWN: Where I have one percent and something
13 or another and you estimate that there was a possibility
14 ...let me look back here on another sheet. Right here it is.
15 Through this AV-110, a possibility of 11%....11% might go
16 through that Ellen Brown property land.

17 LESLIE K. ARRINGTON: Okay, let me...okay, you all
18 are in two separate tracts of land.

19 TIVIS BROWN: Uh-huh.

20 LESLIE K. ARRINGTON: Okay, you're in one tract that
21 you own a 100% in.

22 TIVIS BROWN: Yeah.

23 LESLIE K. ARRINGTON: And you're in another tract
24

1 that you only own a portion of.

2 TIVIS BROWN: Uh-huh.

3 LESLIE K. ARRINGTON: This is the tract...and the
4 reason it's showing up as .11, for instance, for your
5 interest is because you're only a portion of this tract.

6 TIVIS BROWN: Uh-huh.

7 LESLIE K. ARRINGTON: Now if it was on the true 100%
8 Ellen Brown tract, you may well have 11% of that tract. But
9 in this tract, you only own a portion of the tract and
10 interest.

11 TIVIS BROWN: What tract---?

12 LESLIE K. ARRINGTON: This is the Jacob Fuller
13 tract.

14 EARL BROWN: That's Granddaddy's.

15 TIVIS BROWN: Uh-huh.

16 LESLIE K. ARRINGTON: Okay.

17 TIVIS BROWN: That don't refer nothing to the
18 Harrison tract, right?

19 LESLIE K. ARRINGTON: Is that the tract that you own
20 a 100%?

21 TIVIS BROWN: No. See, he's the one that's not
22 located where the State took the sale?

23 LESLIE K. ARRINGTON: I'll have to look. I'll have
24

1 to look to answer your question.

2 TIVIS BROWN: They've not got no address. Address
3 unknown and we don't---.

4 LESLIE K. ARRINGTON: He is.

5 TIVIS BROWN: ---know where he's at.

6 LESLIE K. ARRINGTON: He is. And Harrison is also
7 in this tract. Yes, sir. But now, again, you only own a
8 proportional piece of this tract.

9 TIVIS BROWN: Uh-huh. Right.

10 LESLIE K. ARRINGTON: And the other true Ellen Brown
11 tract, you all own a 100% of that tract.

12 TIVIS BROWN: I understand. It's kind of confusing.
13 I thought this 110 overlapped into the Ellen Brown property.

14 LESLIE K. ARRINGTON: Well, this is...Ellen Brown,
15 she's part...she was a portion of this.

16 TIVIS BROWN: Uh-huh.

17 LESLIE K. ARRINGTON: But on only a small portion.

18 TIVIS BROWN: Oh.

19 LESLIE ARRINGTON: Okay?

20 TIVIS BROWN: Would that be the only portion from
21 the original tract?

22 LESLIE K. ARRINGTON: No, sir. No, sir. This is
23 the Jacob Fuller tract. Now, the Ellen Brown is a different
24

1 tract over here by itself. This is a different one.

2 TIVIS BROWN: In other words, then we wouldn't

3 really have any say on this 110?

4 LESLIE ARRINGTON: Sir?

5 TIVIS BROWN: We wouldn't have any say in what---.

6 LESLIE K. ARRINGTON: You do have interest in...yes,

7 sir, you have an interest in there.

8 CRYSTAL STUMP: You have an interest, but it's

9 smaller.

10 LESLIE ARRINGTON: But it's just smaller than out of

11 those units that we had talked about---.

12 TIVIS BROWN: Yeah.

13 LESLIE K. ARRINGTON: ---last month. You had a

14 greater interest in those than you do in these.

15 BENNY WAMPLER: In other words, if we were

16 disbursing the money that they're escrowing today, it would

17 be this percentage---.

18 TIVIS BROWN: Uh-huh.

19 BENNY WAMPLER: ---that's reflected here today

20 would be your proportionate share of that unit.

21 TIVIS BROWN: Uh-huh.

22 BENNY WAMPLER: That's what this...that's all this

23 is establishing today is what your proportionate share of

24

1 that unit would be.

2 TIVIS BROWN: Escrowing methane gas?

3 BENNY WAMPLER: Yes, sir. That's right, the money

4 from the proceeds.

5 TIVIS BROWN: That's all this is about today?

6 BENNY WAMPLER: That's right.

7 EARL BROWN: I'm Earl Brown, Ellen Brown. This just

8 don't consist of the property? Just the gas rights is all

9 it's today? You know, the 14 acres that---.

10 LESLIE K. ARRINGTON: That's correct.

11 EARL BROWN: ---you are talking about, we haven't

12 been approached about nobody buying that part.

13 LESLIE K. ARRINGTON: That's correct.

14 EARL BROWN: No gas lines or nothing whatsoever.

15 SANDRA RIGGS: The well is not located on the tract

16 they have an interest, is that right?

17 CRYSTAL STUMP: That's correct.

18 EARL BROWN: They say...they say they're going to

19 put one on that 14 acres in the middle of this property and

20 that's what---.

21 BENNY WAMPLER: When they do that---.

22 EARL BROWN: They'll have to come through us.

23 BENNY WAMPLER: ---they'll have to...you know,

24

1 they'll have to deal with you. That's...we're not---.

2 CRYSTAL STUMP: That's a different unit.

3 EARL BROWN: They haven't...they have not contacted

4 us about buying no property or leasing or nothing.

5 BENNY WAMPLER: Nothing that we're doing here today

6 has anything to do with the surface rights.

7 EARL BROWN: Okay, just on the gas.

8 BENNY WAMPLER: Did you have anything further?

9 CRYSTAL STUMP: No. We're finished. Thank you.

10 BENNY WAMPLER: Typically, I would have you sworn,

11 but since you were clarifying some things, we didn't go

12 through that just so that you know why, you were clarifying

13 about the individuals who didn't get notice and different

14 things like that. Is there a motion for approval?

15 MAX LEWIS: I make a motion we approve.

16 KEN MITCHELL: Second.

17 BENNY WAMPLER: Motion and second. Any further

18 discussion?

19 (No audible response.)

20 BENNY WAMPLER: All in favor, signify by saying yes.

21 (All members signify yes.)

22 BENNY WAMPLER: Opposed, say no.

23 (No audible response.)

24

1 BENNY WAMPLER: You have approval. The next item on
2 the agenda is a petition from Pocahontas Gas Partnership for
3 pooling of a coalbed methane unit under the Middle Ridge
4 Coalbed Methane Gas Field order identified as AV-116. This
5 is docket number VGOB-01-01/16-0855, number twelve on the
6 Board's agenda.

7 CLYDE KING: Number twelve?

8 BENNY WAMPLER: Yes. We'd ask the parties that wish
9 to address the Board in this matter to come forward at this
10 time.

11 CRYSTAL STUMP: I'm Crystal Stump appearing on
12 behalf of Pocahontas Gas Partnership. I'd like to advise the
13 Board that we seek a continuance of this matter. We...I've
14 been advised that we have some notice issues that need to be
15 resolved before this can be properly before the Board.

16 BENNY WAMPLER: Okay.

17 CRYSTAL STUMP: And we'd like it to appear on next
18 month's docket. Correct?

19 LESLIE ARRINGTON: Uh-huh.

20 BENNY WAMPLER: All right. That will be continued.

21

22 (Crystal Stump confers with the Brown heirs.)

23 BENNY WAMPLER: Do you all want to take a five

24

--

1 minute recess?

2 (Board confers.)

3 BENNY WAMPLER: We're going to...we'll take five
4 minute recess.

5 (Off record.)

6 BENNY WAMPLER: The next item on the agenda is a
7 petition from Buchanan Production Company for pooling of a
8 coalbed methane unit under the Oakwood Coalbed Methane Gas
9 Field I identified as A-21. This is docket number VGOB-01-
10 04/17-0882. We'd request the parties that wish to address
11 the Board in this matter to come forward at this time.

12 CLYDE KING: What number is it?

13 SANDRA RIGGS: Thirteen.

14 BENNY WAMPLER: Number thirteen.

15 CRYSTAL STUMP: On thirteen. Crystal Stump on
16 behalf of Buchanan Production Company. I'm tempted to try to
17 consolidate, but I think I'd give everybody including Les a
18 heart attack. So, I won't try to do that. We'll try to talk
19 fast. How about that?

20 CLYDE KING: Good.

21 BENNY WAMPLER: Okay. Well, one thing you can do if
22 you have...you know, if you have units, is where you go
23 through the options is you can ask those to be incorporated
24

1 in the record. The election options.

2 CRYSTAL STUMP: Can we do that?

3 BENNY WAMPLER: Yes.

4 CRYSTAL STUMP: Okay.

5 BENNY WAMPLER: Rather than repeat those each time.

6 CRYSTAL STUMP: Well, then I'd request with respect
7 to docket number thirteen---.

8 BENNY WAMPLER: Just do it as you go through---.

9 CRYSTAL STUMP: Okay.

10 BENNY WAMPLER: ---if you don't care.

11 CRYSTAL STUMP: When we get up to them, we'll---.

12 BENNY WAMPLER: Yes.

13

14 LESLIE K. ARRINGTON

15 DIRECT EXAMINATION

16 QUESTIONS BY MS. STUMP:

17 Q. Would you please state your name?

18 A. Leslie K. Arrington.

19 Q. And for whom do you work?

20 A. Consol Energy as a gas engineer.

21 Q. And who is the applicant in this---?

22 A. Buchanan Production.

23 Q. Are they a Virginia Gas Partner...Virginia

24

--

1 General Partnership?

2 A. Yes, it is.

3 Q. Are their partners Appalachian Operators,
4 Inc. and Appalachian Methane, Inc., both the corporate
5 partners of Buchanan Production Company?

6 A. Yes, it is.

7 Q. Is Buchanan Production Company authorized to
8 do business in Virginia?

9 A. Yes, it is.

10 Q. With respect to the matter of a designated
11 operator, are you requesting that Consol Energy, Incorporated
12 be the designated unit operator by the Virginia Gas and Oil
13 Board?

14 A. Yes, we are.

15 Q. Is Consol Energy, Incorporated, a Delaware
16 Corporation, authorized to do business in the Commonwealth of
17 Virginia?

18 A. Yes, it is.

19 Q. Is it registered with the DMME and does it
20 have a blanket bond on file as required by law?

21 A. Yes, it does.

22 Q. Has the management committee of Buchanan
23 Production Company delegated to Consol, Inc., the predecessor
24

1 of Consol Energy, Inc., the authority to explore, develop and
2 maintain the properties and assets of Buchanan Production
3 Company as its professional manager?

4 A. Yes, it has.

5 Q. And has Consol, Inc. accepted this
6 delegation of authority to act as the professional manager
7 for Buchanan Production Company?

8 A. Yes, it has.

9 Q. With respect to the respondents, have the
10 names of the persons to be pooled, are they listed in the
11 Notice of Hearing?

12 A. Yes, they are.

13 Q. And are the addresses listed in...of the
14 respondents listed in the Notice of Hearing?

15 A. Yes, it is.

16 Q. Okay. And is that set forth on Exhibit B-3?

17 A. Yes, it is.

18 Q. Do you desire to amend the exhibit to add
19 any other respondents?

20 A. No.

21 Q. Do you wish to dismiss any respondents?

22 A. No.

23 Q. Has Buchanan Production Company exercised
24

1 due diligence to identify and locate any persons having
2 record title to oil, gas and/or coal?

3 A. Yes, we have.

4 Q. And having identified such person, have you
5 exercised due diligence in trying to locate them?

6 A. Yes, we have.

7 Q. And have you filed an affidavit of due
8 diligence?

9 A. Yes, we have.

10 Q. Have you mailed notice to all those persons
11 for whom addresses were available?

12 A. Yes, we did on...on March the 16th, 2001.

13 Q. And have you published notice in the
14 Bluefield Daily Telegraph?

15 A. Yes, we did, on March the 21st, 2001.

16 Q. The certificates and notice and publication,
17 were they filed with the exhibits tendered today?

18 A. Yes, they were.

19 Q. Would you go through the standing of the
20 applicant as set forth on Exhibit A, page two?

21 A. Okay. We have 100% of the coal leased under
22 this unit. And we have 82.887% of the coal, oil and gas,
23 coalbed methane interest. We're seeking to pool 17.113% of
24

1 the coal, oil and gas, coalbed methane interest.

2 Q. And what are the lease terms typically
3 offered by the applicant?

4 A. For a coalbed methane lease, it's a dollar
5 per acre per year with a five year paid up term and a one-
6 eighth royalty.

7 Q. And is the rental only payable on an annual
8 basis until the production commences and thereafter only
9 royalty payable?

10 A. That's correct.

11 Q. Do you recommend the same to the Board?

12 A. Yes, we do.

13 Q. Have you enter...engaged in efforts to enter
14 into voluntary agreements?

15 A. Yes, we have.

16 Q. Can you describe those efforts?

17 A. Yes. We've...we've diligently worked with
18 these entities trying to obtain a lease with them and to
19 date, we have failed.

20 Q. Is the unit an 80 acre frac well unit under
21 the Oakwood I rules?

22 A. Yes, it is.

23 Q. And do you seek to pool and develop all the
24

1 coal seams below the Tiller under the Oakwood I Field Rules?

2 A. Yes, we do.

3 Q. Is the number of wells currently drilled or
4 proposed one?

5 A. Yes, it is.

6 Q. And do any...does that well require a
7 location exception?

8 A. No, it does not.

9 Q. What is the estimated cost per well set
10 forth in Exhibit C?

11 A. \$191,240.14, drilled to a total depth of
12 1,761.20 feet. It was drilled on December the 3rd, 1999.

13 Q. Is the permit number 4357?

14 A. Yes, it is.

15 Q. Does Exhibit B-3 set forth the respondents
16 interest in the unit in question?

17 A. Yes, it does.

18 Q. And is this percentage of relevant to both
19 royalty to both royalty interest and participation as either
20 a participant or a carried person?

21 A. Yes, it is.

22 Q. And am I correct that escrow is not
23 required?

24

1 A. It is not.

2 Q. Is it your professional opinion that the
3 applicant's plan of development is a reasonable plan for
4 development of the coalbed methane resource within and under
5 the unit for the benefit of the owners of said resource?

6 A. Yes, it is.

7 Q. And will the proposed well contribute to the
8 protection of the correlative rights of the owners of the
9 methane within and under the unit in question and lessen the
10 likelihood of both physical waste and economic waste?

11 A. Yes, it will.

12 CRYSTAL STUMP: Does the Board have any questions?

13 BENNY WAMPLER: Les, you...I know in the last items
14 where we had Pocahontas Gas Partnership and here we have
15 Buchanan Production Company and the documents in here and
16 even your signature is under Consol Energy, Inc. Is that
17 all... is Buchanan Production Company is under that umbrella?

18 LESLIE K. ARRINGTON: Yes, it is.

19 BENNY WAMPLER: Any other questions from members of
20 the Board?

21 (No audible response.)

22 BENNY WAMPLER: The election options, do you want to
23 incorporate those?

24

--

1 CRYSTAL STUMP: Oh, I'm sorry. I think I started
2 that with---.

3 BENNY WAMPLER: You can incorporate them from prior
4 testimony if you want. I just wanted to make sure you get
5 them in the record.

6 CRYSTAL STUMP: I think that I'll just go through
7 here.

8 Q. For the elections options as either a
9 participant or a carried person, you take the percent of the
10 unit times the estimated well costs which then gives you the
11 participation costs and/or the carried interest multiplier,
12 is that correct?

13 A. That's correct.

14 Q. And for royalty and income allocation, the
15 percentage interest in the unit the royalty interest and is
16 multiplied times 12.5% for the total royalty?

17 A. That's correct.

18 CRYSTAL STUMP: Did I get it all?

19 SANDRA RIGGS: (Indicates in the affirmative.)

20 BENNY WAMPLER: Any other questions from members of
21 the Board?

22 (No audible response.)

23 BENNY WAMPLER: Is there a motion for approval?

24

--

1 CLYDE KING: So moved.

2 KEN MITCHELL: I second.

3 BENNY WAMPLER: A motion and second. Any further
4 discussion?

5 (No audible response.)

6 BENNY WAMPLER: All in favor, signify by saying yes.
7 (All members signify yes.)

8 BENNY WAMPLER: Opposed, say no.
9 (No audible response.)

10 BENNY WAMPLER: You have approval. We'll go to item
11 fourteen. The next on the agenda is a petition from Buchanan
12 Production Company for pooling of a coalbed methane unit
13 under the Oakwood Coalbed Methane Gas Field identified as K-
14 35. This is docket number VGOB-01-04/17-0883. We'd ask the
15 parties that wish to address the Board in this matter to come
16 forward at this time.

17 CRYSTAL STUMP: My name is Crystal Stump and I'm
18 here on behalf of Buchanan Production Company. If I can ask
19 the Board a quick question before I get started. It appears
20 that the testimony would be similar here as to the previous
21 unit. May we incorporate that testimony and just get into
22 the specifics as far as the cost per well? Is that what...I
23 think you were indicating that we could incorporate that or
24

1 would you prefer that I go through everything?

2 BENNY WAMPLER: I think you'll want to establish
3 ...what I was talking about actually is the options that the
4 individual may have that we typically will allow you to
5 incorporate in the record.

6 CRYSTAL STUMP: Okay. Okay.

7 BENNY WAMPLER: To do it that way would require...
8 the way you're suggesting would require combining the units
9 and I think you're better to go through the testimony just in
10 case.

11 CRYSTAL STUMP: I'd rather be safe than sorry.

12 BENNY WAMPLER: Right.

13 CLYDE KING: Than sorry.

14 BENNY WAMPLER: Right.

15 CLYDE KING: Exactly.

16

17 LESLIE K. ARRINGTON

18 DIRECT EXAMINATION

19 QUESTIONS BY MS. STUMP:

20 Q. Would you please state your name for the
21 record?

22 A. Leslie K. Arrington.

23 Q. And for whom do you work?

24

--

1 A. Consol Energy, as a gas engineer.

2 Q. And who is the applicant in this unit?

3 A. Buchanan Production Company.

4 Q. And are they a Virginia general partnership?

5 A. Yes, it is.

6 Q. And are its partners Appalachian Operators,

7 Inc. and Appalachian Methane, Inc.?

8 A. Yes, it is.

9 Q. And are both of those entities corporate

10 partners of Buchanan Production Company fully owned indirect

11 subsidiaries of Consol Energy, Inc.?

12 A. Yes, it is.

13 Q. And is Buchanan Production Company

14 authorized to do business in Virginia?

15 A. Yes, it is.

16 Q. With respect to the matter of a designated

17 operator, are you requesting that Consol Energy, Incorporated

18 be designated unit operator by the Virginia Gas and Oil

19 Board?

20 A. Yes.

21 Q. And is Consol Energy, Incorporated a

22 Delaware corporation which is authorized to do business in

23 the Commonwealth of Virginia?

24

1 A. Yes, it is.

2 Q. And is it also registered with the DMME, and
3 does it have a blanket bond on file as required by law?

4 A. Yes, it does.

5 Q. Has the management committee of Buchanan
6 Production Company delegated to Consol, Incorporated, which
7 is the predecessor of Consol Energy, Incorporated, the
8 authority to explore, develop and maintain the properties and
9 assets of Buchanan Production Company as its professional
10 manager?

11 A. Yes, it has.

12 Q. And has Consol, Incorporated accepted this
13 delegation of authority to act as the professional manager
14 for Buchanan Production Company?

15 A. Yes, it has.

16 Q. With respect to the respondents on this
17 unit, are the names of the persons to be pooled listed in the
18 Notice of Hearing?

19 A. Yes, they are.

20 Q. And are the addresses of the same persons
21 listed in the Notice of Hearing set forth in Exhibit B-3?

22 A. Yes, they are.

23 Q. Do you desire at this time to amend, to add
24

1 any respondents?

2 A. No, we do not.

3 Q. Do you wish to dismiss any respondents?

4 A. No.

5 Q. Has Buchanan Production Company exercised

6 due diligence to identify and locate all persons having

7 record title to oil, gas and/or coal?

8 A. Yes, we have.

9 Q. And having identified such persons, has it

10 exercised due diligence in trying to locate such persons?

11 A. Yes, we have.

12 Q. Have you filed an affidavit of due

13 diligence?

14 A. Yes, we have.

15 Q. When was notice mailed to all those persons

16 for whom addresses were available?

17 A. March the 16th, 2001.

18 Q. And was notice published in the Bluefield

19 Daily Telegraph on March the 22nd, 2001?

20 A. Yes, it was.

21 Q. Were the certificates of notice of

22 publication filed with the Exhibits you've tendered to the

23 Board today?

24

1 A. Yes, it was.

2 Q. Refer to Exhibit A, page two, would you go
3 through the same with the Board setting forth the standing of
4 the applicant?

5 A. Yes. Underneath this unit, we have leased
6 100% of the coal interest. We have leased 90.8125 of the
7 coalbed methane interest from the coal, oil and gas owners.
8 We're seeking to pool 9.1875 percent of the coal, oil and gas
9 interest.

10 Q. Would you describe to the Board the lease
11 terms typically offered by the applicant?

12 A. Yes. For a coalbed methane lease, it's a
13 dollar per acre per year with a five year paid up term, and
14 with a one-eighth royalty.

15 Q. And is the rental only payable on an annual
16 basis until production commences and thereafter only royalty
17 payable?

18 A. That's correct.

19 Q. Do you recommend the same to the Board?

20 A. Yes, we do.

21 Q. Have you entered into...made efforts to
22 enter into voluntary agreements?

23 A. We have.

24

--

1 Q. Could you describe those efforts?

2 A. Again, we've contacted these same parties
3 and attempted to lease, and...of which these interests were
4 leased by Virginia Gas Distribution Company.

5 Q. The drilling unit is an 80 acre frac well
6 unit of the Oakwood I Rules?

7 A. Yes, it is.

8 Q. And are you seeking to pool and develop all
9 coal seams below the Tiller under the Oakwood I Field Rules?

10 A. Yes, we are.

11 Q. And do you seek to...the number of wells
12 currently drilled...proposed is one?

13 A. Yes, it is.

14 Q. And do any wells require a location
15 exception?

16 A. No, it does not.

17 Q. Pursuant to Exhibit C, can you tell me the
18 estimated cost per well?

19 A. Yes. This estimated cost is \$187,682.78.
20 It was drilled to a total depth of 1,697.60 feet, drilled in
21 September the 26 of 2000. Its permit number was 4648.

22 Q. Does Exhibit B-3 set forth the respondent's
23 interest in the unit in question?

24

1 A. Yes, it does.

2 Q. Is the percentage relevant to both royalty
3 and participation as either a participant or a carried
4 person?

5 A. Yes, it is.

6 Q. Do you take the percent of the unit times
7 the estimated well cost, which then gives you the
8 participation cost and or the carried interest multiplier?

9 A. Yes, it does.

10 Q. For royalty and income allocation, the
11 percentage interest in the unit is the royalty interest and
12 is multiplied times 12.5 percent of the total royalty, is
13 that correct?

14 A. Yes.

15 Q. Is escrow required in this unit?

16 A. No, it is not.

17 Q. In your professional opinion, is the
18 applicant's plan of development a reasonable plan for
19 development of the coalbed methane resource within and under
20 the unit for the benefit of the owners of the resource?

21 A. Yes, it is.

22 Q. And will the proposed well contribute to the
23 protection of the correlative rights of the owners of the
24

1 methane within and under the unit in question and lessen the
2 likelihood of both physical and economical waste?

3 A. Yes, it is.

4 CRYSTAL STUMP: Does the Board have any questions?

5 BENNY WAMPLER: I was just curious as to these
6 parties that are already under lease with Virginia Gas
7 Distribution Company, what...how do your efforts to obtain a
8 lease from them work in those situations?

9 LESLIE K. ARRINGTON: The same as it does with...
10 like we've been working with ERECS. We have attempted to
11 contact them and we really haven't gotten a whole lot of
12 response. We would like to get a lot of response because
13 they do have properties inside our boundaries that we would
14 like to work out with them.

15 CLYDE KING: Virginia Gas?

16 LESLIE K. ARRINGTON: Uh-huh.

17 BENNY WAMPLER: Any other questions from members of
18 the Board?

19 (No audible response.)

20 BENNY WAMPLER: Do you have anything further?

21 (No audible response.)

22 BENNY WAMPLER: Do you have anything further?

23 CRYSTAL STUMP: No.

24

--

1 BENNY WAMPLER: Do we have a motion?
2 CLYDE KING: So move.
3 KEN MITCHELL: Second.
4 BENNY WAMPLER: Motion to approve and second. Any
5 further discussion?
6 (No audible response.)
7 BENNY WAMPLER: All in favor, signify by saying yes.
8 (All members indicate yes.)
9 BENNY WAMPLER: Opposed, say no.
10 (No audible response.)
11 BENNY WAMPLER: You have approval. The next item
12 before the Board is item fifteen. It's a petition from
13 Buchanan Production Company for pooling of a coalbed methane
14 unit under the Oakwood Coalbed Methane Gas Field I,
15 identified as M-36, docket number VGOB-01-04/17-0884, and
16 we'd ask the parties that wish to address the Board in this
17 matter to come forward at this time.
18 (Leslie Arrington distributes exhibits.)
19 CRYSTAL STUMP: Crystal Stump, appearing on behalf
20 of Buchanan Production Company. Les Arrington is with me
21 and passing out some Exhibits to the Board.
22
23
24
~

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MS. STUMP:

Q. Would you please state your name for the record?

A. Leslie K. Arrington.

Q. And for whom do you work?

A. Consol Energy as a gas engineer.

Q. And who is the applicant on this unit?

A. Buchanan Production Company.

Q. Are they a Virginia general partnership?

A. Yes, they are.

Q. Are its partners Appalachian Operators, Incorporated and Appalachian Methane, Incorporated, both corporate partners of Buchanan Production Company, wholly owned, indirect subsidiaries of Consol Energy, Incorporated?

A. Yes, they are.

Q. And is Buchanan Production Company authorized to do business in Virginia?

A. Yes.

Q. Are you requesting that Consol Energy, Incorporated be designated unit operator by the Virginia Gas and Oil Board?

1 A. Yes.

2 Q. Is Consol Energy, Incorporated a Delaware
3 corporation, authorized to do business in the Commonwealth of
4 Virginia?

5 A. Yes, it is.

6 Q. And is it also registered with the DMME, and
7 has a blanket bond on file as required by law?

8 A. Yes, it does.

9 Q. Has the management committee of Buchanan
10 Production Company delegated to Consol, Incorporated, the
11 predecessor of Consol Energy, Incorporated, the authority to
12 explore, develop and maintain the properties and assets of
13 Buchanan Production Company as its professional manager, and
14 has Consol, Incorporated accepted this delegation of
15 authority to act as the professional manager for Buchanan
16 Production Company?

17 A. Yes, it has.

18 Q. Are the names of the persons to be pooled
19 listed in the Notice of Hearing?

20 A. Yes, they are.

21 Q. And are the addresses of said respondents
22 listed in the Notice of Hearing set forth in Exhibit B-3?

23 A. Yes, they are.

24

--

1 Q. Do you desire at this time to amend to add
2 any respondents?
3 A. No.
4 Q. Do you wish to dismiss any respondents?
5 A. No.
6 Q. Has Buchanan Production Company exercised
7 due diligence to identify and locate persons having record
8 title to oil, gas and/or coal?
9 A. Yes, we have.
10 Q. Having identified such persons, has Buchanan
11 Production Company exercised due diligence in trying to
12 locate them?
13 A. Yes, we have.
14 Q. Have you filed an affidavit of due
15 diligence?
16 A. Yes, we have.
17 Q. Have you mailed notice to all those persons
18 for whom addresses were available?
19 A. Yes, we did.
20 Q. What was the date of that notice?
21 A. March the 16th, 2001.
22 Q. Have you also published notice in the
23 Bluefield Daily Telegraph on March the 22nd, 2001?
24

1 A. Yes, we did.

2 Q. Were the certificates of notice of
3 publication filed with the exhibits tendered to the Board
4 today?

5 A. Yes, it was.

6 Q. Would you please go through the standing of
7 the applicants set forth on Exhibit A, page two?

8 A. Yes. We have underneath this unit 100% of
9 the coal leased. We have 99.9985% of the coal, oil and gas,
10 coalbed methane interest leased. We're seeking to pool
11 0.0015% of the coal, oil and gas, coalbed methane interest.

12 Q. And what are the lease terms typically
13 offered by the applicant?

14 A. For a coalbed methane lease, it's a dollar
15 per acre per year with a five year paid up term, with a one-
16 eighth royalty.

17 Q. And is the rental only payable on an annual
18 basis until production commences and thereafter only royalty
19 payable?

20 A. Yes, it is.

21 Q. Do you recommend these same terms to the
22 Board?

23 A. Yes, we do.

24

--

1 Q. Have you made efforts to enter into
2 voluntary agreements?
3 A. We have in years past, yes.
4 Q. Is the unit an 80 acre frac well unit under
5 the Oakwood I Rules?
6 A. Yes, it is.
7 Q. And do you seek to pool and develop all coal
8 seams below the Tiller under the Oakwood I Field Rules?
9 A. Yes, we do.
10 Q. And the number of wells currently drilled or
11 proposed is one?
12 A. Yes, it is.
13 Q. And you don't require any location
14 exception?
15 A. No.
16 Q. What is the estimated cost per well set
17 forth on Exhibit C?
18 A. \$210,443.99. This well was drilled to a
19 total depth of 2,321 feet on June the 23rd of 2000, and its
20 permit number was 4561.
21 Q. Does Exhibit B-3 set forth the respondent's
22 interest in the unit in question?
23 A. Yes, it does.

24

1 Q. And is this percentage relevant to both
2 royalty and participation as either a participant or a
3 carried person?

4 A. Yes, it does.

5 Q. And does one take the percent of the unit
6 times the estimated well cost, which then gives you the
7 participation cost and/or the carried interest multiplier?

8 A. Yes, it does.

9 Q. For royalty and income allocation, is the
10 percentage interest in the unit is the royalty interest and
11 is multiplied times 12.5 percent of the total royalty?

12 A. Yes, it is.

13 Q. Is escrow required in this unit?

14 A. No, it is not.

15 Q. In your professional opinion, is the
16 applicant's plan of development a reasonable plan for the
17 development of the coalbed methane resource within and under
18 the unit for the benefit of the owners of said resource?

19 A. Yes, it is.

20 Q. Will the proposed well contribute to the
21 protection of the correlative rights of the owners of the
22 methane within and under the unit in question and lessen the
23 likelihood of both physical and economical waste?

24

--

1 A. Yes, it does.

2 CRYSTAL STUMP: We have nothing further?

3 BENNY WAMPLER: All right. Any questions from

4 members of the Board?

5 (No audible response.)

6 BENNY WAMPLER: Is there a motion to approve?

7 KEN MITCHELL: Move for approval.

8 BENNY WAMPLER: Is there a second?

9 CLYDE KING: Second.

10 BENNY WAMPLER: Motion and second. Any further

11 discussion?

12 (No audible response.)

13 BENNY WAMPLER: All in favor, signify by saying yes.

14 (Only one member signifies yes.)

15 BENNY WAMPLER: Opposed, say no.

16 (No audible response.)

17 BENNY WAMPLER: I only have one yes vote. I'm going

18 to say that again.

19 (All members indicate yes.)

20 BENNY WAMPLER: Okay. You have approval.

21 (Benny Wampler and Bob Wilson Confer.)

22 BENNY WAMPLER: Item sixteen is next. The Board

23 will consider a petition from Buchanan Production

24

1 Company...let me just go ahead and just read this. The Gas
2 and Oil Board will consider a petition from Buchanan
3 Production Company under Section 45.1-361.1 and relevant Gas
4 and Oil Board orders for combining drilling unit allowables
5 within the sealed gob areas of Beatrice Mine identified as
6 Unit Numbers T-16 and R-18. This is docket number VGOB-01-
7 04/17-0885, and we'd ask the parties that wish to address the
8 Board in this matter to come forward at this time.

9 (Leslie K. Arrington distributes exhibits.)

10 CRYSTAL STUMP: Crystal Stump, appearing on behalf
11 of Buchanan Production Company. This is a petition to
12 combine the allowable production for these two units. The
13 Board order which created the Beatrice Mine sealed gob area
14 allowed the combination of allowables assigned to each
15 drilling unit so one well could be used to produce multiple
16 allowables. However, the order required Board permission to
17 do so. So, this petition requests authority to produce
18 454mmcf from the T-1629 well attributable to the portion of
19 unit T-16 that is over the Beatrice Mine and within the
20 sealed gob area, and all of the R-18 unit which is entirely
21 within the sealed gob area. In addition, the applicant
22 requests that the Board prior orders pertaining to T-16 be
23 modified to allow for the production of the sealed gob gas

24

--

1 and the allocation of royalty payable thereon to those owners
2 who are within both the unit T-16 and the Beatrice sealed gob
3 area.

4 BENNY WAMPLER: You want to introduce your---?

5 CRYSTAL STUMP: I have with me Les Arrington.

6

7

8 LESLIE K. ARRINGTON

9 DIRECT EXAMINATION

10 QUESTIONS BY MS. STUMP:

11 Q. Would you please---?

12 A. Leslie K. Arrington.

13 Q. And by whom are you employed?

14 A. Consol Energy as a gas engineer.

15 Q. And have you tendered to the Board today
16 some additional documents?

17 A. We have. It's the certified mailing and
18 publication for this application. It was mailed on March the
19 16th, 2001, and it was published in the Bluefield Daily
20 Telegraph on March the 22nd, 2001?

21 BENNY WAMPLER: Did you notice all parties in both
22 units?

23 A. I noticed the parties that was receiving
24

--

1 allocated production from the T-16 unit. Now the R-18 unit,
2 no, I didn't give them notice until we get that permission.
3 It's a voluntary unit, by the way. So, you know, they
4 wouldn't get noticed.

5 Q. Are both units voluntary units?

6 A. No, ma'am. Only...the R-18 unit---.

7 BENNY WAMPLER: R-18.

8 A. ---and 16 was a pooled unit.

9 Q. Under the sealed gob?

10 A. Under...yes, ma'am.

11 (Board members confer among themselves.)

12 BENNY WAMPLER: We're just discussing...just getting
13 validation here.

14 CRYSTAL STUMP: I think we've got all the affected
15 parties under T-16 noticed and since it...18---.

16 SANDRA RIGGS: The Oakwood dissolved with the sealed
17 gob unit was formed, so that the affected unit we're talking
18 about now is the Beatrice sealed gob unit, which is the dark
19 line---.

20 LESLIE K. ARRINGTON: That's correct.

21 SANDRA RIGGS: ---and above.

22 LESLIE K. ARRINGTON: That's correct.

23 BENNY WAMPLER: I'm just getting validation that the
24
~

83

1 parties that needed to receive notice got---.

2 LESLIE K. ARRINGTON: That's the ones that received
3 notice, in that portion there.

4 SANDRA RIGGS: The ones within the Beatrice sealed
5 gob unit.

6 BENNY WAMPLER: And since R-18...is that right?

7 LESLIE K. ARRINGTON: Yes.

8 BENNY WAMPLER: Since R-18 was a voluntary unit and
9 since they're not...they're combining everything in R-18---.

10 LESLIE K. ARRINGTON: That's correct.

11 BENNY WAMPLER: They're saying no notice required?

12 CRYSTAL STUMP: Correct.

13 SANDRA RIGGS: Is R-18 within the sealed gob unit?

14 LESLIE K. ARRINGTON: Yes, sir...yes, ma'am.

15 SANDRA RIGGS: Then there really is no---?

16 LESLIE K. ARRINGTON: And under lease.

17 SANDRA RIGGS: ---R-18?

18 BENNY WAMPLER: Right.

19 SANDRA RIGGS: The largest lease parties within---?

20 BENNY WAMPLER: Right.

21 SANDRA RIGGS: ---the sealed gob unit---?

22 BENNY WAMPLER: Right.

23 SANDRA RIGGS: ---what was formerly R-18?

24

--

1 LESLIE K. ARRINGTON: Yes...yes.

2 BENNY WAMPLER: You still...they still have to have
3 it to get permission to do this, though, because they had to
4 come back to the Board.

5 SANDRA RIGGS: To combine the allowables.

6 LESLIE K. ARRINGTON: Yeah. Any time we go over our
7 production---.

8 BENNY WAMPLER: Right.

9 SANDRA RIGGS: Right.

10 BENNY WAMPLER: Right.

11 LESLIE K. ARRINGTON: ---we have to come back.

12 BENNY WAMPLER: We're just talking it through.

13 LESLIE K. ARRINGTON: Okay.

14 BENNY WAMPLER: It's not simple.

15 SANDRA RIGGS: We have had units that have be...have
16 combined allowables in the past. This is not the first
17 time---.

18 BENNY WAMPLER: Right.

19 SANDRA RIGGS: ---the Board has been asked to
20 combine allowables.

21 BENNY WAMPLER: Right.

22 SANDRA RIGGS: And, in fact, the Beatrice sealed gob
23 order---.

24

1 BENNY WAMPLER: Right.

2 SANDRA RIGGS: ---that pooled the sealed gob unit
3 provided for combination---.

4 BENNY WAMPLER: Right.

5 SANDRA RIGGS: ---of allowables upon on application
6 and approval by the Board.

7 BENNY WAMPLER: Right.

8 BENNY WAMPLER: Do you have anything further?

9 LESLIE K. ARRINGTON: No.

10 BENNY WAMPLER: Any questions from members of the
11 Board?

12 (No audible response.)

13 BENNY WAMPLER: Does everybody understand what
14 they're doing?

15 CLYDE KING: I think so.

16 BENNY WAMPLER: All right. Is there a motion for
17 approval?

18 KEN MITCHELL: Motion for approval.

19 BENNY WAMPLER: Is there a second?

20 CLYDE KING: Second.

21 BENNY WAMPLER: Second. Any further discussions?
22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying yes.
24
~

1 (All members signify yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval. And the final
5 item, number seventeen on your agenda, a petition from
6 Buchanan Production Company for pooling of a coalbed methane
7 unit under the Oakwood Coalbed Methane Gas Field I identified
8 as D022. This is docket number VGOB-01-04/17-0886. We'd ask
9 the parties that wish to address the Board in this matter to
10 come forward at this time.

11 CRYSTAL STUMP: Crystal Stump, appearing on behalf
12 of Buchanan Production Company. With me is Les Arrington.

13

14 LESLIE K. ARRINGTON

15 DIRECT EXAMINATION

16 QUESTIONS BY MS. STUMP:

17 Q. Would you please introduce yourself?

18 A. Leslie K. Arrington.

19 Q. And by whom are you employed?

20 A. Consol Energy as a gas engineer.

21 Q. And who is the applicant on this unit?

22 A. Buchanan Production Company.

23 Q. And are they a Virginia General Partnership?

24

--

1 A. Yes, they are.

2 Q. And are its partners Appalachian Operators,
3 Incorporated and Appalachian Methane, Incorporated?

4 A. Yes, it is.

5 Q. And are both of these corporate partners
6 wholly owned indirect subsidiaries of Consol Energy,
7 Incorporated?

8 A. Yes, it is.

9 Q. Is Buchanan Production Company authorized to
10 do business in Virginia?

11 A. Yes, it is.

12 Q. Are you requesting that Consol Energy,
13 Incorporated be designated as the unit operator by the
14 Virginia Gas and Oil Board?

15 A. Yes, we are.

16 Q. And is Consol Energy, Incorporated, a
17 Delaware Corporation, authorized to do business in the
18 Commonwealth of Virginia?

19 A. Yes, it is.

20 Q. And is it also registered with the DMME and
21 has a blanket bond on file as required by law?

22 A. Yes, it does.

23 Q. Has the management committee of Buchanan
24

1 Production Company delegated to Consol, Incorporated, which
2 is the predecessor of Consol Energy, Incorporated, the
3 authority to explore, develop and maintain the properties and
4 assets of Buchanan Production Company as its professional
5 manager?

6 A. Yes, it has.

7 Q. And has Consol, Incorporated accepted this
8 delegation of authority to act as the professional manager
9 for Buchanan Production Company?

10 A. Yes, it has.

11 Q. Are the names of the persons to be pooled
12 listed in the Notice of Hearing?

13 A. Yes, they are.

14 Q. And are the addresses of the respondents
15 listed in the Notice of Hearing set forth in Exhibit B-3?

16 A. Yes, they are.

17 Q. Do you desire to amend this exhibit to add
18 any respondents?

19 A. No.

20 Q. Do you wish to dismiss any respondents?

21 A. Yes. I've filed today a revised Exhibit B-3
22 and Exhibit B-2, which indicates the parties which I'd like
23 to dismiss, and those parties being...just a moment, let me
24

1 get there. Okay, those parties being Christopher E. Wright,
2 Leonard A. Wright, Douglas L. Wright, Michael Baldwin and
3 Carson Brown.

4 Q. And those are the parties for whom you wish
5 to dismiss?

6 A. Yes, it is. And the same parties, coal, oil
7 and gas.

8 Q. And the same parties are both on the coal,
9 oil and gas?

10 A. Yes, it is.

11 Q. Has Buchanan Production Company exercised
12 due diligence to identify and locate all persons having
13 record title to oil, gas and/or coal?

14 A. Yes, we have.

15 Q. And having identified those persons, have
16 you exercised due diligence in trying to locate such persons?

17 A. Yes, we have.

18 Q. Have you prepared and filed an affidavit of
19 due diligence?

20 A. Yes, we have.

21 Q. Have you mailed notice to all those persons
22 for whom addresses were available?

23 A. Yes, we did.

24

--

1 Q. And on what date?

2 A. It was mailed on March the 16th, 2001.

3 Q. And was notice also published in the

4 Bluefield Daily Telegraph on March the 2^{1st}, 2001?

5 A. Yes, it was.

6 Q. Did you tender today with the exhibits your

7 certificates of notice and publication?

8 A. Yes, we have.

9 Q. Would you go through the Board the standing

10 of the applicants set forth on Exhibit A, page two?

11 A. Yes, I will. Underneath this unit, we have

12 coal leases for 98.875% of the interest. We have leased

13 from the coal, oil and gas owners 93.3368% of the coal, oil

14 and gas, coalbed methane interest. We're seeking to pool

15 6.6632% of the coal, oil and gas, coalbed methane interest.

16 BENNY WAMPLER: Les?

17 LESLIE K. ARRINGTON: Yes, sir.

18 BENNY WAMPLER: I don't mean to interrupt you, but

19 you said 98.875.

20 LESLIE K. ARRINGTON: Of the coal interest.

21 BENNY WAMPLER: Okay. But then under coal interest,

22 would you say what...what---?

23 LESLIE ARRINGTON: Okay, that's correct. That's

24

1 correct. Okay, underneath the unit, we have leased 98.875%
2 of the coal interest; and then we have leased 93.3368% of the
3 coal, oil and gas, coalbed methane interest.

4 BENNY WAMPLER: Okay.

5 Q. And what are the lease terms typically
6 offered by the applicant?

7 A. For a coalbed methane lease, it's a dollar
8 per acre per year with a five year paid up term, with a one-
9 eighth royalty.

10 Q. And is the rental only payable on an annual
11 basis until production commences and thereafter only royalty
12 payable?

13 A. Yes, it is.

14 Q. Do you recommend those same terms to the
15 Board?

16 A. Yes, we do.

17 Q. Have you made efforts to enter into
18 voluntary agreements?

19 A. Yes, we have.

20 Q. Is the unit an 80 acre frac well unit under
21 the Oakwood I Rules?

22 A. Yes, it is.

23 Q. And do you seek to pool and develop all coal
24

1 seams below the Tiller under the Oakwood I Field Rules?

2 A. Yes, we do.

3 Q. And the number of wells currently drilled or
4 proposed is one?

5 A. Yes, it is.

6 Q. And are you requesting any location
7 exception for the well?

8 A. No.

9 Q. What is the estimated cost per well set
10 forth on Exhibit C?

11 A. Yes, this well is drilled to...or to an
12 estimate depth 2,432.80 feet, estimated cost is \$205,074.04;
13 and it was drilled on May the 31st of 2000. The permit
14 number is 4556.

15 Q. Does Exhibit B-3 set forth the respondent's
16 interest in the unit in question?

17 A. Yes, it does.

18 Q. And is this percentage relevant to both
19 royalty interest and participation as either a participant or
20 a carried person?

21 A. Yes, it does.

22 Q. And do you take the percent of the unit
23 times the estimated well cost, which then gives you the
24

1 participation cost and/or the carried interest multiplier?

2 A. Yes, it does.

3 Q. And for royalty/income allocation, is the
4 percentage interest in the unit the royalty interest and it
5 is multiplied times 12.5 percent for the total royalty?

6 A. Yes, it is.

7 Q. Is escrow required in this case...in this
8 unit?

9 A. I don't believe so. No.

10 Q. In your professional opinion, is the
11 applicant's plan of development a reasonable plan for the
12 development of the coalbed methane resource within and under
13 the unit for the benefit of the owners of said resource?

14 A. Yes, it is.

15 Q. And will the proposed well contribute to the
16 protection of the correlative rights of the owners of the
17 methane within and under the unit in question and lessen the
18 likelihood of both physical and economical waste?

19 A. Yes, it does.

20 CRYSTAL STUMP: I don't believe we have anything
21 further on this unit.

22 BENNY WAMPLER: Okay, I'm going to take you back to
23 A...Exhibit A, page two and ask you to go through that one

24

--

1 more time for me.

2 LESLIE K. ARRINGTON: Okay. Okay. If you'll notice
3 paragraph three, it shows percentage of coal owned or leased
4 underneath that unit---.

5 BENNY WAMPLER: Okay.

6 LESLIE K. ARRINGTON: ---and it's 98.875%.

7 BENNY WAMPLER: Right.

8 LESLIE K. ARRINGTON: Let me refer back. Let me just
9 do a quick check here.

10 BENNY WAMPLER: Sure.

11 LESLIE K. ARRINGTON: Yeah, I see your question
12 because that should 99. That should...we'll...we'll revise
13 that paragraph three on the Exhibit A, page two. That should
14 be 99.

15 BENNY WAMPLER: Any other questions from members of
16 the Board?

17 (No audible response.)

18 BENNY WAMPLER: Is there a motion for approval?

19 KEN MITCHELL: Motion for approval.

20 BENNY WAMPLER: Is there a second?

21 CLYDE KING: Second.

22 BENNY WAMPLER: All in favor, signify by saying yes.
23 (All members signify yes.)

24

1 BENNY WAMPLER: Opposed, say no.

2 (No audible response.)

3 BENNY WAMPLER: You have approval. Thank you. Is
4 there anything further from members of the Board? The agenda
5 is clear. That will conclude today's hearing. Thank you.

6 CRYSTAL STUMP: Thank you. Thank you all for your
7 patience.

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

--

1 STATE OF VIRGINIA,

2 COUNTY OF BUCHANAN, to-wit:

3 I, Sonya Michelle Brown, Court Reporter and Notary
4 Public for the State of Virginia, do hereby certify that the
5 foregoing hearing was recorded by me on a tape recording
6 machine and later transcribed by me personally.

7 Given under my hand and seal on this the 9th day of
8 May, 2001.

9

10 NOTARY PUBLIC

11

12 My commission expires: August 31, 2001.

13

14

15

16

17

18

19

20

21

22

23

24

--